

Message Text

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ACTION EB-07

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FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC IMMEDIATE 1264

INFO AMCONSUL ZAGREB

C O N F I D E N T I A L BELGRADE 5891

EXCON

E.O. 11652: GDS

TAGS: ESTC, YO

SUBJ: PRE-LICENSE CHECK ON COLLINS COMMUNICATIONS EQUIPMENT TO
ELEKTROTEHNA

REF: A. STATE 206845, B. STATE 220305, C. STATE 239242, D. BELGRADE 5
608

SUMMARY: IN PAST TWO DAYS YUGOSLAV CHMBER OF ECONOMY HAS CONFIRMED INTENDED END USE OF EQUIPMENT BY SECRETARIAT FOR INTERNAL AFFAIRS, AND COLLINS AND ITS YUGOSLAV AGENT HAVE SUPPLIED FULL EXPLANATION. AGENT BELIEVES LICENSE HELD UP BECAUSE OF US-YUGOSLAV "POLICY DIFFICULTIES." FAILURE TO APPROVE LICESES FOR THESE APPARENTLY LEGITIMATE TRANSACTIONS LIKELY TO LEAD YUGOSLAV OFFICIALS TO SAME MISTAKEN CONCLUSION, CAUSE CANCELLATION OF ORDER, AND JEOPARDIZE U.S. CHANCES TO SUPPLY SUBSTANTIAL FUTURE NEES OF VARIOUS GOVERNMENT AGENCIES. ACTION REQUESTED: IMMEDIATE APPROVAL OF LICENSES PRIOR TO AGENT'S MEETING WITH SECRETARIAT FOR INTERNAL AFFAIRS

ON TUESDAY, NOV 26. END SUMMARY

1. YUGOSLAV CHAMBER OF ECONOMY (STEVAN ZEC) CONFIRMS THAT COLLINS EQUIPMENT COVERED BY END-USE CERTIFICATE U-1178, U-1180, AND U-1584 IS FOR FEDERAL SECRETARIAT FOR INTERNAL AFFAIRS (SAVEZNI SECRETARIAT ZAUNUTRASNE

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POSLOVE). IN ADDITION HE QUOTED LETTER FROM ABOVE SECRETARIAT

WHICH STATES, " THIS EQUIPMENT IS FOR OUR OWN USE. WE FULLY UNDERSTAND
THAT RE-EXPORT IS FORBIDDEN."

2. FEDERAL SECRETARIAT FOR INTERNAL AFFAIRS AND FEDERAL POLICE UNDER
ITS JURISDICTION MAINTAIN A RADIO NETWORK INCLUDING MOBILE UNITS
THROUGHOUT
YUGOSLAVIA. THIS NETWORK IS LINKED TO YUGOSLAV MILITARY NETS.

3. REPRESENTATIVE OF ENTERPRISE MASINOKOMERC, YUGOSLAV AGENT FOR
COLLINS FOR FIFTEEN YEARS, VISITED EMBASSY TO EXPRESS CONCERN OVER NON-

ISSUANCE OF EXPORT LICENSES FOR COLLINS RADIO EQUIPMENT (REFTELS A
AND B). HE PROVIDED FOLLOWING INFORMATION:

A. END-USER OF EQUIPMENT IS YUGOSLAV FEDERAL POLICE, AN AGENCY OF
THE FEDERAL SECRETARIAT FOR INTERNAL AFFAIRS.

B. MASINOKOMERC USES VARIOUS IMPORTERS FOR INDIVIDUAL TRANS-
ACTIONS, OFTEN AT REQUEST OF BUYER. ELEKTROTEHNA IS MERELY IMPORTER
FOR TRANSACTIONS CITED IN REFTELS A AND B.

C. THIS EQUIPMENT IS NOT NEW TECHNOLOGY FOR YUGOSLAVIA.
APPROXIMATELY 30 SETS OF 100-WATT SYSTEM AND -15-20 SETS OF 400-WATT
SYSTEMS HAVE ALREADY BEEN SOLD IN YUGOSLAVIA TO FEDERAL, SLOVENIAN,
AND BOSNIA POLICE. BEGIN FYI: AMONG OTHERS FOR FEDERAL EXECUTIVE
COUNCIL AND PRESIDENT TITO'S BELGRADE AND BRIONI RESIDENCES,
END FYI. COLLINS PERSONNEL PERFORM ALMOST ALL THE SERVICING. EMBASSY
UNDERSTANDS THAT YUGOSLAV AIRLINES, JAT, USES SIMILAR COLLINS
EQUIPMENT FOR COMMUNICATIONS WITH ITS FLEET OF US-MADE JETS.

D. YUGOSLAV MILITARY HAS THREE SETS OF EACH TYPE RADIO SYSTEM UNDER
TEMPORARY IMPORT FOR TESTING AND EVALUATION. MASINOKOMERC CONCERNED
THAT DELAYS JEOPARDIZE NOT ONLY PENDING TRANSACTIONS BUT ALSO FUTURE
BUSINESS WITH YUGOSLAV GOVERNMENT ENTITIES. PLANNED PURCHASE BY ARMY
AND FEDERAL AND REPUBLIC POLICE MAY EXCEED \$20 MILLION IN NEAR
FUTURE.

4. AGENT COULD SEE NO VALID EXPORT CONTROL REASON FOR CONTRAST BETWEEN
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PRESENT DELAYS AND PREVIOUS ROUTING LICENSING OF VIRTUALLY IDENTICAL
EQUIPMENT FOR YUGOSLAV GOVERNMENT USE. HE CONVINCED THAT CURRENT
PROBLEMS RESULT FROM POLITICAL REASON, ALTHOUGH EMBOFFS FLATLY DENIED
THIS AND EXPLAINED THAT PRE-LICENSING CHECK WAS PENING WITH YUGOSLAV
CHAMBER OF ECONOMY.

5. AGENT'S BELIEF REINFORCED BY TELEX HE DISPLAYED FROM COLLINS IN

CEDAR RAPIDS. TELEX STATES "...DESPITE OUR EARLY APPLICATION FOR EXPORT LICENSE, WE HAVE NOT BEEN ABLE TO OBTAIN THESE FOR EITHER ORDER. IT IS OUR UNDERSTANDING THAT CURRENTLY THERE ARE SOME POLICY DIFFICULTIES BETWEEN U.S. AND THE GOVERNMENT OF YUGOSLAVIA..." DESPITE EMBOFF'S STRONG DISCLAIMER, AGENT THINKS TELEX REFLECTS U.S. GOVERNMENT VIEW.

6. AGENT INFORMS US THAT HE MUST APPEAR AT SECRETARIAT FOR INTERNAL AFFAIRS TUESDAY, NOV 26, TO EXPLAIN WHY EQUIPMENT NOT DELIVERED. EMBASSY BELIEVES AGENT WILL LIKELY CONVEY TO SECRETARIAT HIS MISTAKEN IMPRESSION OF U.S. ATTITUDE AND REASON FOR DELAY.

7. LONDON OFFICE OF COLLINS RADIO HAS ALSO CONTACTED EMBASSY TO EXPRESS CONCERN OVER DELAYS. THEY STATED THAT THE EQUIPMENT IS WELL SUITED FOR USE AS MOBILE AND GROUND STATIONS BY POLICE AND EMERGENCY UNITS AND THAT 400-WATT UNITS ARE INDICATED FOR BASE STATIONS.

8. EMBASSY ANTICIPATES SHARP, NEGATIVE YUGOSLAV REACTION TO ANY SUGGESTION THAT COLLINS TRANSACTION DELAYED FOR POLITICAL REASONS OR "POLICY DIFFICULTIES". FURTHERMORE, CONTRARY TO U.S. POLICY AND OTHER INTERESTS, PRESENT ORDER PROBABLY WILL BE CANCELLED AND UNLESS LICENSE IS APPROVED PRIOR TO NOV 26 CHANCES JEOPARDIZED FOR SUBSTANTIAL FUTURE SALES TO YUGOSLAV GOVERNMENT AGENCIES. YUGOSLAVS NOT LIKELY ACCEPT EMBOFF'S STATEMENT TO AGENT THAT PRE-LICENSE CHECK WITH ECONOMIC CHAMBER HAS CAUSED SOME DELAY. INSTEAD, THEY WILL DRAW THE WRONG CONCLUSIONS AS TO WHY APPARENTLY LEGITIMATE TRANSACTION

QUESTIONED IN THE FIRST PLACE.

9. ACTION REQUESTED: IMMEDIATE APPROVAL OF REQUESTED LICENSES - PRIOR TO AGENT'S MEETING WITH SECRETARIAT FOR INTERNAL AFFAIRS NOVEMBER 26 -- TO FORESTALL ABOVE MENTIONED NEGATIVE CONSEQUENCES.

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